



MSRPS Maryland State Retirement and Pension System

Attorney General Gansler and State Treasurer Kopp Announce \$73 Million Award to State Retirement System Upheld

Maryland Court of Appeals rules actuarial firm liable.

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News Release

Baltimore, MD (July 20, 2011)—Attorney General Douglas F. Gansler and State Treasurer Nancy K. Kopp today announced that the Court of Appeals of Maryland has ruled that an actuarial firm is liable to the Maryland State Retirement and Pension System (MSRPS) for damages of approximately \$73 million resulting from the firm's repeated errors in performing actuarial valuations for the State Police Retirement System, Law Enforcement Officers' Pension System, and Judges' Retirement System over a 22 year period.

The Court held that Milliman, Inc., the System's actuary from 1982 until 2006, is liable to the System for failing to include in its calculations benefits payable to the surviving spouses of participants in these systems.

“This is a victory for Maryland state employees and the retirees who depend on a sound retirement system in their golden years,” said Attorney General Gansler. “I’m grateful for the exceptional work of the Assistant Attorneys General whose dedication to this case just confirmed our assertion that outside contractors hired by the state will be held accountable for the serious and costly mistakes they make.”

Under its contract with the retirement system, Milliman was required to perform annual actuarial valuations and to certify to the Retirement System Board of Trustees the amount of State contributions that would be necessary to fund future liabilities. The Court of Appeals affirmed the decision of the Maryland State Board of Contract Appeals, which concluded that Milliman made a mistake that was a breach of the professional standards of care that actuaries are obligated to meet in their work, that Milliman's mistake continued undetected for 22 years, and that this continuing mistake by Milliman was a breach of its contracts with the System.

“We are pleased with the outcome,” said Treasurer Kopp, who also serves as Chair of the Board of Trustees of the MSRPS. “Today's decision by the Court of Appeals offers further proof that we take our fiduciary responsibilities seriously and that we will pursue all avenues to protect the system for our members and their families.”

The \$73 million in damages represents the value of the contributions and investment earnings on those contributions that were lost to the System as a result of Milliman's continuing errors.

Attorney General Gansler thanked Assistant Attorneys General Dana Reed, Rachel Cohen, and Kathleen Wherthey and former Assistant Attorney General Gary Kuc.

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